Appendix 4D

HALF-YEAR REPORT
Blackmores Limited - ACN 009 713 437
For the period ended 31 December 2019

This Half-Year Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Current Reporting Period:	Half-Year ended 31 December 2019
Previous Corresponding Period:	Half-Year ended 31 December 2018

Revenue and Net Profit	**Amount $'000**	**Up / Down**	**Movement**
Revenue from ordinary activities	302,698	Down	-5.20%
Profit after tax attributable to members	18,242	Down	-46.90%
Net profit attributable to members	18,242	Down	-46.90%

Dividend Information

The Company's Dividend Reinvestment Plan (DRP) remains active. The company is not issuing a dividend in the reporting period.

	31 December 2019	31 December 2018
Net tangible assets per security	$7.49	$7.49

Blackmores limited acquired Catalent Australia Holding Pty Ltd and Catalent Australia Pty Ltd on 25 October 2019. There is not a material impact to the reported Profit after tax in the Half-year end 31 December 2019

Additional Appendix 4D disclosure requirements can be found in the Blackmores Limited Half-Year Report for the period ended 31 December 2019.

The Appendix 4D is based on the Blackmores Limited Half-Year Report for the period ended 31 December 2019 which has been reviewed by Deloitte Touche Tohmatsu. This should be read in conjunction with the most recent Annual Financial Report as at and for the year ended 30 June 2019.

BLACKMORES GROUP

Financial Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

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Directors' Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

The Directors of Blackmores Limited submit herewith the Financial Report of Blackmores Limited and its subsidiaries (the Group) for the half-year ended 31 December 2019. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report is as follows:

The names of the Directors of the Company during and since the end of the half-year are:

Brent Wallace
David Ansell
John Armstrong
Marcus Blackmore
Christine Holman
Alastair Symington (effective 16 September 2019)
Jackie McArthur (resigned 6 August 2019)
Helen Nash (resigned 6 August 2019)

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The Directors report that revenue for the six months to 31 December 2019 was $303 million, down 5% on the prior corresponding period, delivering a net profit after tax attributable to Blackmores shareholders of $18 million.

Revenue in Australia and New Zealand of $115 million was down $29 million (or 20%) on the previous corresponding period (pcp).

The earnings from our business in Australia and New Zealand declined in the half with Earnings Before Interest and Tax (EBIT) of $15 million, down 55% on pcp.

Contributing to this decline was regulatory change in China which impacted revenue in Australia, and additional material and packaging costs.

Blackmores remains the number one VDS brand[1] in Australia and we continue to benefit from strong revenue from new products, such as new additions to the probiotic range and Vitamin C + Elderberry Gummies.

In November, Blackmores once again had a major presence at the China International Import Expo (CIIE) in Shanghai. The CIIE is a signature initiative of the Chinese Government and a clear demonstration of its commitment to supporting global trade.

Overall revenue recorded in our China segment declined during the half, down 6% on pcp. In-country revenue grew slightly, up 2%.

EBIT in the China segment declined 58% in the period. This result was impacted by higher material and packaging costs and costs relating to provisions for risk of stock obsolescence.

Revenue reported in the Other Asia market segment was up 29% overall, with strong growth in markets Indonesia (up 45% in local currency) and Malaysia (up 9% in local currency).

EBIT for Other Asia was up 70% during the half, due to increased revenue performance, cost management, strong revenue growth of infant formula and a weaker Australian dollar.

The BioCeuticals brand continues to be Australia's clear market leader of practitioner-only products, with revenue growing 6% during the half. However, overall revenue for the BioCeuticals Group segment (which includes the BioCeuticals, IsoWhey and Global Therapeutics' brands) was flat during the half.

EBIT in the BioCeuticals Group segment declined by 11% despite flat sales. This can be attributed to higher costs due to investment into the Group's new offices in Surry Hills where the BioCeuticals business is based, and the performance of Global Therapeutics.

BioCeuticals continues to have a strong pipeline of new product development. Launches during the half included PEA Liquid (a clinically trialled ingredient for neuropathic pain relief) and Calm Bursts – chewable capsules made from kava for the symptoms of mild anxiety and stress. Extensions to the digestive range included Collagen Activ, PepZin Pro and PreBiome Fibre.

BioCeuticals' world-first medicinal cannabis trial, conducted in conjunction with Endeavour College of Natural Health, concluded in November 2019 with the last patient completing their treatment. Results from the trial are expected to be published in April 2020.

The Blackmores Institute research program contributed strongly to the Group during the half, working to build an even stronger evidence base to support two popular Blackmores products – Executive B Stress Formula and Vitamin E Cream range. An additional study, supported by the Institute, reconfirmed the benefits of fish oil for cardiovascular and cerebrovascular function.

Two recent papers, 'Sustainable Nutrition', a literature review focused on the potential impact of climate change on natural medicine, and 'Mental Wellbeing of Chinese Career Women' developed in partnership with Tsinghua University have shone a spotlight on important issues that can have an impact on health.

The Blackmores Institute's education services received recognition for world-class excellence at the prestigious Brandon Hall Group awards, and locally for the second year in a row at the LearnX Impact and Australian Institute of Training and Development awards.

The Institute continues to provide world-leading training to healthcare professionals, retail pharmacy staff and Blackmores employees through e-learning, symposia and our comprehensive, accredited CMEd blended learning program for pharmacists.

FINANCIAL POSITION OF THE GROUP

The Blackmores balance sheet remains in a solid position at the end of the half-year.

Total Net Assets increased by $9 million to $217 million in the half, while Total Current Assets of the Group decreased by $7 million to $301 million. Blackmores entered a Receivables Purchase Agreement (RPA) during the half which reduced the receivables balance by $23 million.

While Inventory is up $4 million on June 2019, this balance includes a $19 million increase as part of the Braeside acquisition. Excluding this, the inventory balance was lower due to a business focus on improved stock management.

Non-current Assets of the Group increased by $83 million to $269 million during the half-year. The increase largely related to assets acquired through the Braeside acquisition, which constituted land, manufacturing plant and machinery, and intangible assets totalling $56 million. Other investments include property, plant and equipment related to the fit-out of our new Surry Hills Campus and further investment in our IT systems such as merging our distribution and customer relationship systems across Asia and Australia.

Directors' Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

The adoption of AASB 16 Leases has also resulted in the recognition of right-of-use assets of $18 million.

Current Liabilities of the Group increased by $17 million to $170 million during the half-year, largely due to the recognition of a lease liability of $7 million under AASB 16 and increases to provisions of $5 million, relating to the addition of leave provisions for employees at the Braeside site.

Non-current Liabilities of the Group increased during the half-year to $184 million, up $51 million since June 2019. This was driven by increased borrowings to acquire the Braeside manufacturing site and $11 million relating to the recognition of a non-current lease liability under AASB 16. Deferred tax liability also increased due to the Braeside acquisition.

The Gearing Ratio has increased from 25% to 36% largely due to the borrowings to acquire the Braeside manufacturing plant. Despite the increase, we maintain appropriate headroom against all bank covenants.

Cash generated from operations of the Group was $47 million, an increase of 38% ($13 million) on pcp. Cash conversion for the Group was 126% (or 64% if adjusted for the RPA), which is in-line with 60% delivered in the prior corresponding period.

DIVIDEND

The amounts paid or declared by way of dividend since the start of the financial year are:

- A final dividend of 70 cents per share fully franked in respect of the year ended 30 June 2019, as detailed in the Directors' Report for that financial year, was paid on 12 September 2019.
- On 11 February 2020, Directors resolved not to pay an interim dividend in respect of the first-half period ended 31 December 2019. This decision was announced on 12 February 2020.

EXECUTIVE SHARE PLAN HURDLES

Details of the hurdles related to the issue of share rights to Alastair Symington under the Executive Share Plan were outlined in an ASX Announcement dated 23 January 2020. The hurdles included a ROIC performance measure. Further review of the ROIC calculations revealed an administrative oversight in the calculations pertaining to the treatment of Interest-Bearing Liabilities in the calculation of 'Average Invested Capital.' The calculations of both the base and the three year target have been re-stated. The relative performance objective based on the difference between the base and target remains consistent as both have been adjusted for this correction. The adjusted ROIC hurdles are included in the following table:

Return on Invested Capital over the period 1 July 2019 to 30 June 2022	Percentage of Base Remuneration
Less than 18.1%	0%
18.1%	50%
18.1% to 21%	50% to 100%
Greater than 21%	100%

SUBSEQUENT EVENTS

Subsequent to the half-year close, the Board resolved to approve the sale of land at 15 Jubilee Avenue. The land was originally purchased as space for the future expansion of the Warriewood Campus. Blackmores' future growth is now catered for through the Bungarribee Warehouse, Braeside and Surry Hills sites, and as such the land held is considered surplus to Blackmores' requirements. The land has historically been reported as an investment property in Non-current Assets.

The effect of the Board resolution is to create a non-adjusting event after the reporting period. The property now satisfies the 'held for sale' criteria subsequent to period end. As Board approval occurred after 31 December 2019, the land remains reported as non-current investment property in the half-year financial statements.

OUTLOOK

Revenue in the second-half is expected to be similar to that achieved in the first-half, though the significantly higher costs associated with manufacturing and other factors including Coronavirus will have a material impact on the FY20 result. Directors therefore anticipate full-year NPAT will be in the range of $17 million to $21 million.

Despite challenges in the second-half, the Board and new management team are very confident and optimistic about the long-term future of Blackmores.

Blackmores' brand metrics are the strongest they have been for many years. We have the number one market position in Australia and a number of Asian markets, and we are quickly building a much stronger team in China.

Since the new management team has been in place, we have worked to develop a solid and credible plan for the business going forward. We are building our capability in strategic revenue management which will help stabilise pricing across multiple markets and build back the margin we need to invest in brand and innovation.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 3 of this half-year Financial Report.

ROUNDING OFF AMOUNTS

The Company is a company of the kind referred to in *ASIC Corporations Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the half-year Financial Report are rounded-off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of Directors made pursuant to s.306 (3) of the *Corporations Act 2001*.

On behalf of the Directors

Brent Wallace
Chairman

Dated in Sydney, 24 February 2020

1. Nielsen total VDS domestic market data MAT to 18/01/2020.

Auditor's Independence Declaration

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The Board of Directors
Blackmores Limited
20 Jubilee Avenue
Warriewood NSW 2102

24 February 2020

Dear Board Members

Auditor's Independence Declaration to Blackmores Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Blackmores Limited.

As lead audit partner for the review of the half year financial report of Blackmores Limited for the half year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Delaney
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Partner
Chartered Accountants

Independent Auditor's Review Report

Deloitte.

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Independent Auditor's Review Report to the members of Blackmores Limited

We have reviewed the accompanying half-year financial report of Blackmores Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 23.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Blackmores Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Blackmores Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Independent Auditor's Review Report

Deloitte.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Blackmores Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Delaney
X Delaney
Partner
Chartered Accountants
Parramatta, 24 February 2020

Directors' Declaration

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

Brent Wallace
Chairman

Sydney, 24 February 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	NOTES	31 December 2019 $'000	31 December 2018 $'000
Revenue	2.1	**302,698**	319,389
Other income		**903**	1,057
Gain arising from bargain purchase	3.1	**5,736**	-
Revenue and other income		**309,337**	320,446
Raw materials and consumables used		**124,056**	124,184
Employee benefits expenses		**81,849**	77,877
Selling and marketing expenses		**30,329**	31,963
Depreciation and amortisation expenses		**9,943**	5,307
Short term, low value lease rental expenses		**2,115**	-
Operating lease rental expenses		**-**	4,767
Professional and consulting expenses		**8,964**	5,622
Repairs and maintenance expenses		**3,798**	3,549
Freight expenses		**6,369**	7,938
Bank charges		**704**	600
Licences and registrations		**3,233**	2,028
Impairment of financial assets		**1,408**	85
Loss on derecognition of receivables		**67**	-
Other expenses		**9,618**	6,049
Total expenses		**282,453**	269,969
Earnings before interest and tax	2.2	**26,884**	50,477
Interest revenue		**106**	167
Interest expense		**(2,648)**	(2,412)
Net interest expense		**(2,542)**	(2,245)
Profit before tax		**24,342**	48,232
Income tax expense		**(5,870)**	(14,132)
Profit after tax		**18,472**	34,100
Profit/(loss) attributable to:			
Owners of the parent		**18,242**	34,325
Non-controlling interests		**230**	(225)
		18,472	34,100
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign controlled entities		**426**	1,514
Net (loss)/gain on hedging instruments entered into for cash flow hedges (net of tax)		**(83)**	1
Other comprehensive income for the period (net of tax)		**343**	1,515
Total comprehensive income for the period		**18,815**	35,615
Total comprehensive income attributable to:			
Owners of the parent		**18,581**	35,838
Non-controlling interests		**234**	(223)
		18,815	35,615
EARNINGS PER SHARE			
- Basic earnings per share (cents)	4.3	**104.9**	198.9
- Diluted earnings per share (cents)		**104.9**	198.2

Notes to the Condensed Consolidated Financial Statements are included on pages 11 to 23.

Condensed Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2019

	NOTES	31 December 2019 $'000	30 June 2019 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5.2	**33,736**	24,516
Receivables	5.2	**117,282**	143,877
Inventories		**129,304**	125,104
Other assets		**18,856**	14,370
Current tax assets		**2,170**	-
Derivative assets	5.1	**132**	355
Total current assets		**301,480**	308,222
NON-CURRENT ASSETS			
Property, plant and equipment		**140,344**	80,754
Right-of-use assets	3.2	**17,619**	-
Investment property		**2,160**	2,160
Goodwill and intangible assets	3.1	**87,261**	80,489
Deferred tax assets		**15,999**	16,532
Other financial assets		**1,870**	1,867
Amounts advanced to related parties		**3,600**	3,600
Total non-current assets		**268,853**	185,402
Total assets		**570,333**	493,624
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**143,035**	134,529
Current tax liability		**-**	3,028
Lease liabilities	3.2	**7,127**	-
Provisions		**14,631**	9,777
Other liabilities		**4,561**	5,132
Derivative liabilities	5.1	**696**	739
Total current liabilities		**170,050**	153,205
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	4.1	**153,000**	119,000
Lease liabilities	3.2	**10,661**	-
Deferred tax liabilities		**16,821**	11,810
Provisions		**1,561**	1,137
Other liabilities		**1,554**	753
Total non-current liabilities		**183,597**	132,700
Total liabilities		**353,647**	285,905
Net assets		**216,686**	207,719
EQUITY			
CAPITAL AND RESERVES			
Issued capital		**55,398**	53,039
Reserves		**4,704**	4,363
Retained earnings		**155,923**	149,890
Equity attributable to shareholders of Blackmores Ltd		**216,025**	207,292
Equity attributable to non-controlling interests		**661**	427
Total equity		**216,686**	207,719

Notes to the Condensed Consolidated Financial Statements are included on pages 11 to 23.

Condensed Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	ISSUED CAPITAL	EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE	CASH FLOW HEDGING RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	ATTRIBUTABLE TO OWNERS OF BLACKMORES LTD	NON-CONTROLLING INTEREST	TOTAL EQUITY
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2018	37,753	3,739	188	1,999	149,196	192,875	455	193,330
Profit/(loss) for the period	-	-	-	-	34,325	34,325	(225)	34,100
Other comprehensive income/(expense) for the period (net of tax)	-	-	1	1,512	-	1,513	2	1,515
Total comprehensive income for the period	-	-	1	1,512	34,325	35,838	(223)	35,615
Dividends declared	-	-	-	-	(26,587)	(26,587)	-	(26,587)
Share-based payments expense	-	628	-	-	-	628	-	628
Issue of shares under the Dividend Reinvestment Plan (DRP)	6,776	-	-	-	-	6,776	-	6,776
Issue of shares under employee long-term incentive plans (net of on market purchases and tax)	2,591	(2,591)	-	-	-	-	-	-
Balance as at 31 December 2018	47,120	1,776	189	3,511	156,934	209,530	232	209,762
Balance at 1 July 2019	**53,039**	**67**	**(321)**	**4,617**	**149,890**	**207,292**	**427**	**207,719**
Profit/(loss) for the period	**-**	**-**	**-**	**-**	**18,242**	**18,242**	**230**	**18,472**
Other comprehensive income/(expense) for the period (net of tax)	**-**	**-**	**(83)**	**422**	**-**	**339**	**4**	**343**
Total comprehensive income for the period	**-**	**-**	**(83)**	**422**	**18,242**	**18,581**	**234**	**18,815**
Dividends declared	**-**	**-**	**-**	**-**	**(12,209)**	**(12,209)**	**-**	**(12,209)**
Share-based payments expense	**-**	**69**	**-**	**-**	**-**	**69**	**-**	**69**
Issue of shares under Dividend Reinvestment Plan (DRP)	**2,292**	**-**	**-**	**-**	**-**	**2,292**	**-**	**2,292**
Issue of shares under employee long-term incentive plans (net of on market purchases and tax)	**67**	**(67)**	**-**	**-**	**-**	**-**	**-**	**-**
Balance as at 31 December 2019	**55,398**	**69**	**(404)**	**5,039**	**155,923**	**216,025**	**661**	**216,686**

Notes to the Condensed Consolidated Financial Statements are included on pages 11 to 23.

Condensed Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	NOTES	31 December 2019 $'000	31 December 2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (net of promotional and other rebates)	5.2	**399,993**	374,415
Payments to suppliers and employees		**(353,438)**	(340,772)
Cash generated from operations		**46,555**	33,643
Interest and other costs of finance paid		**(3,412)**	(3,053)
Income taxes paid		**(10,120)**	(15,596)
Net cash flows from operating activities		**33,023**	14,994
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**106**	168
Payments for property, plant and equipment		**(14,905)**	(7,802)
Payments for business combinations	3.1	**(33,000)**	(8,686)
Payments for intangible assets		**(209)**	(1,912)
Proceeds from disposal of property, plant and equipment		**155**	13
Dividends received		**24**	-
Net cash used in investing activities		**(47,829)**	(18,219)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings		**551,000**	506,000
Repayments of bank borrowings		**(517,000)**	(483,000)
Proceeds from other borrowings		**4,604**	279
Repayments of other borrowings		**(1,382)**	-
Repayments of lease liabilities		**(3,605)**	-
Dividends paid		**(9,917)**	(19,811)
Net cash provided by financing activities		**23,700**	3,468
Net increase in cash and cash equivalents		**8,894**	243
Cash and cash equivalents at the beginning of the year		**24,516**	36,468
Effects of exchange rate changes on the balance of cash held in foreign currencies		**326**	1,393
Cash and cash equivalents at the end of the year		**33,736**	38,104

Notes to the Condensed Consolidated Financial Statements are included on pages 11 to 23.

Notes to the Condensed Consolidated Financial Statements

FOR THE HALF-YEAR ENDED
31 DECEMBER 2019

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General Information

Blackmores Limited (the Company) is a public company listed on the Australian Securities Exchange (trading under the symbol 'BKL'), incorporated in Australia and operating in Australia, New Zealand and Asia.

Blackmores Limited's registered office and its principal place of business is as follows:
20 Jubilee Avenue, Warriewood, NSW 2102
Telephone +61 2 9910 5000

The Group's principal activity is the development, manufacture, sales and marketing of health products for humans and animals, including vitamins, and herbal and mineral nutritional supplements.

1.1 REPORTING ENTITY

Blackmores Limited (the Company) is a company domiciled in Australia. The Consolidated Interim Financial Report (Financial Report) of Blackmores as at and for the half-year ended 31 December 2019 comprises Blackmores and its subsidiaries (the Group).

The Consolidated Annual Financial Report of the Group as at and for the year ended 30 June 2019 is available upon request from the registered office of Blackmores at 20 Jubilee Avenue, Warriewood, NSW 2102 or online at blackmores.com.au.

1.2 STATEMENT OF COMPLIANCE

The half-year Financial Report is a General Purpose Financial Report prepared in accordance with the Corporations Act 2001 and AASB134 'Interim Financial Reporting'. Compliance with AASB 134 'Interim Financial Reporting' ensures compliance with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting. The half-year report does not include notes of the type normally included in an Annual Financial Report and should be read in conjunction with the most recent Annual Financial Report as at and for the financial year ended 30 June 2019.

1.3 BASIS OF PREPARATION

The half-year Financial Report has been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

In accordance with the Australian Securities and Investments Commission (ASIC) Corporations Instrument 2016/191, the amounts in the Directors' Report and the half-year Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year Financial Report are consistent with those adopted and disclosed in the Group's 2019 Annual Financial Report for the year ended 30 June 2019 except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

General Information

1.4 ESTIMATES

The preparation of the half-year Financial Report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this half-year Financial Report, the significant judgements made by management in applying the Group's accounting policies and the key sources of uncertainty in estimation were the same as those applied to the Annual Financial Report for the financial year ended 30 June 2019. The key source of uncertainty for the half-year ended 31 December 2019 related to the acquisition of Catalent Australia's manufacturing facility in Braeside Victoria, refer to note 3.1 Business Combinations.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

1.5 APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current year the Group has applied AASB 16 Leases which was effective for annual periods that began on or after 1 January 2019. AASB 16 Leases replaced existing accounting requirements for leases under AASB 117 Leases. Refer Note 3.2 Change in Accounting Policy – Leases.

Under previous requirements, leases were classified based on their nature as either finance leases, which are recognised on the Consolidated Statement of Financial Position, or operating leases, which are not recognised on the Consolidated Statement of Financial Position.

Under the current standard, the Group's accounting for operating leases as a lessee resulted in the recognition of a right-of-use (ROU) asset and an associated lease liability on the Consolidated Statement of Financial Position. The lease liability represents the present value of future lease payments, with the exception of low value and short-term leases. An interest expense is also recognised on the lease liabilities and a depreciation charge will be recognised for the ROU assets. The Group's accounting for leases as a lessor remains unchanged under AASB 16.

Our Operations

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Blackmores is a leading natural healthcare company across the Asia-Pacific region. Our operations include product innovation and formulation, sourcing of the highest quality ingredients, and the manufacturing, marketing, sales and distribution of products to customers and consumers.

2.1 REVENUE AND OTHER INCOME

	Consolidated Half-year ended	
	31 December 2019 $'000	31 December 2018 $'000
Revenue	**302,698**	319,389
Other income	**903**	1,057
Gain arising from bargain purchase	**5,736**	-
Revenue and other income	**309,337**	320,446

Accounting policies

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for discounts, estimated customer returns and promotional and other rebates.

Sale of goods

Revenue from the sale of goods is recognised when the performance obligation of the sale has been fulfilled and control of the goods has been transferred to the customer. Specifically, revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

Sale of goods on consignment

Revenue from the sale of goods on consignment is recognised upon the sale of the goods by the consignee. Control of the goods remains with Blackmores until such time as the goods are sold by the consignee.

Discounts, promotional and other rebates

The amount of revenue recognised for a transaction is net of any discounts, promotional and other rebates, which includes growth rebates, and /or contributions to customers towards promotional activities (known as case deals).

2.2 SEGMENT INFORMATION

Information reported to the Group's Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance is largely focused on geographical regions. The Group's reportable segments under AASB 8 are therefore as follows:

ANZ
Comprising the Blackmores, Pure Animal Wellbeing and Impromy brands sold across Australia and New Zealand, also including the benefit of sales made to customers which are ultimately intended for Asian markets.

China
Comprising Blackmores and Pure Animal Wellbeing brands in China (in-country) and the China Export Division.

BioCeuticals Group
Comprising the BioCeuticals practitioner brands, Isowhey, Wheyless, Oriental Botanicals and Fusion Health brands.

Other Asia
Comprising the Blackmores and Pure Animal Wellbeing brands in Thailand, Malaysia, Singapore, Hong Kong (China), Taiwan (China), Korea, Indonesia, Vietnam, Pakistan and Kazakhstan.

Corporate Costs
Those costs which cannot be reliably allocated to a specific segment, or which have been incurred for long-term growth opportunities.

Our Operations

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2.2.1 Revenue by segment

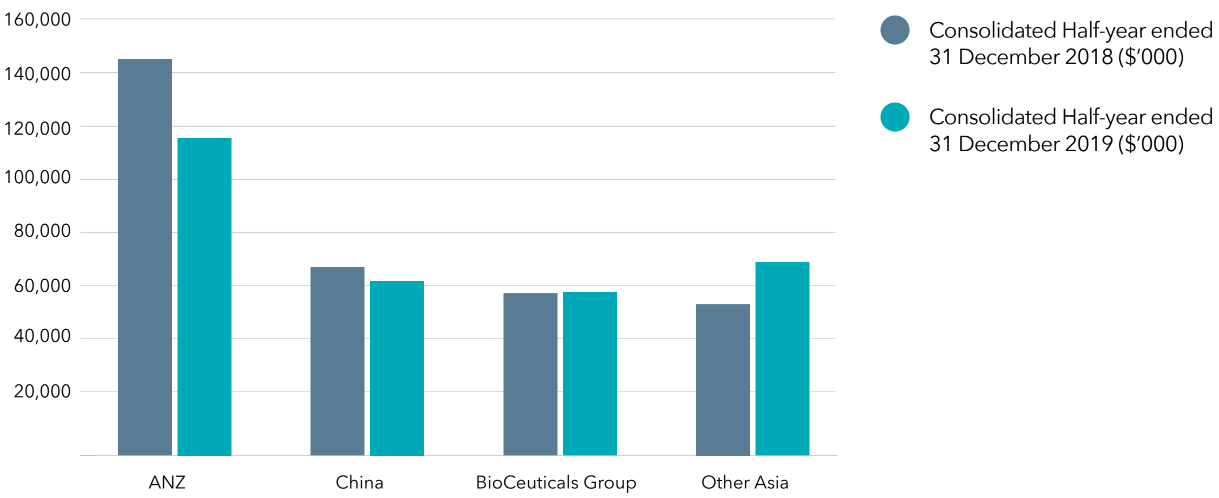
	Consolidated Half-year ended	
	31 December 2019 $'000	31 December 2018 $'000
ANZ	**115,463**	144,227
China	**61,737**	65,395
BioCeuticals Group	**57,050**	56,840
Other Asia	**68,448**	52,927
	302,698	319,389

The Group had one customer who contributed more than 10% of the Group's revenue in the period (2018: One). Revenue earned from this customer amounts to $64,520 (2018: $83,365). This customer serves both the ANZ and BioCeuticals Group segments.

2.2.2 Earnings before interest and taxes (EBIT) by segment

	Consolidated Half-year ended	
	31 December 2019 $'000	31 December 2018 $'000
ANZ	**15,010**	33,321
China	**4,878**	11,665
BioCeuticals Group	**7,568**	8,513
Other Asia	**7,760**	4,566
Corporate costs	**(8,332)**	(7,588)
	26,884	50,477

2.2.3 Revenue history by segment



Our Operations

2.3 OTHER FINANCIAL INFORMATION

	Consolidated Half-year ended	
	31 December 2019 $'000	31 December 2018 $'000
Cost of goods sold	**140,448**	133,931
	140,448	133,931

Cost of Goods Sold (COGS) represents the Group's internal measurement for the cost of goods sold in the period. It differs from the cost of raw materials and consumables used measure, in that it includes the allocation of direct labour and overheads relating to manufacturing at the Braeside site and packing at the Warriewood facility. In the statutory presentation in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income which is presented by nature, these costs appear within employee benefits, depreciation and amortisation and other expenses line items. Since the acquisition of Braeside and the Group's move into manufacturing it is felt that COGS provides additional useful information for the users of our Financial Statements to understand the costs associated with our operations and how they compare to prior periods.

Our Investments

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3.1 BUSINESS COMBINATIONS

On 25th October 2019, Blackmores Ltd confirmed settlement on the acquisition of Catalent Australia's manufacturing facility in Braeside Victoria.

The acquisition cost includes a completion payment of $33.0 million (paid on 25 October 2019) and a further capital payment of $23.8 million attributable to upgrades and expansions since April 2018 and customary working capital adjustments.

The acquisition represents Blackmores' expansion into soft-gel and tablet manufacturing and will support the Group's strong focus on growth and product innovation in addition to protecting the Group's portfolio of brands.

	Consolidated Half-year ended 31 December 2019 $'000
3.1.1 Consideration transferred	
	56,809
3.1.2 Fair value of assets acquired and liabilities assumed at date of acquisition	
Current assets	
Cash at bank	2,533
Receivables	10,734
Inventories	16,024
Other assets	1,428
	30,719
Non-current assets	
Property, plant and equipment	49,475
Intangible assets	6,903
	56,378
Total assets	87,097
Current liabilities	
Trade and other payables	(14,701)
Provisions	(4,552)
	(19,253)
Non-current liabilities	
Deferred tax liabilities	(5,012)
Provisions	(287)
	(5,299)
Total liabilities	(24,552)
Identifiable net assets	62,545
3.1.3 Gain arising from bargain purchase	
Consideration paid or payable in cash	56,809
Less: Fair value of the identifiable net assets acquired	62,545
Gain arising from bargain purchase	5,736

The business combination has been initially accounted for on a provisional basis, which will be retrospectively adjusted to also recognise additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at acquisition date. At the date of this report, property, plant and equipment, intangibles, provisions and tax balances are considered provisional. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine the fair value.

3.1.4 Impact of acquisition on results of the Group

The impact of the acquisition on the results of the Group for the half-year ended 31 December 2019 included recognition of a gain resulting from the bargain purchase of $5.7m in the Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income. Acquisition-related costs amounting to $4.5m are not included as part of the consideration transferred and have been recognised as an expense in the Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income. The impact of the acquisition on the operating results of the Group for the half-year ended 31 December 2019 are not considered material.

The bargain gain resulted primarily as a result of increases in property values between contract execution in April 2018 through to settlement in late October 2019.

3.2 CHANGE IN ACCOUNTING POLICY – LEASES

This note explains the impact of the adoption of AASB 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019 below.

The Group has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

(a) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 2.63%.

	30 June 2019 $'000
Operating lease commitments disclosed as at 30 June 2019	**22,852**
Discounted using the lessee's incremental borrowing rate as at the date of initial application	
(Less): short-term / low value leases recognised on a straight-line basis as expense	**(1,471)**
Lease liability recognised as at 1 July 2019	**21,381**
Of which are:	
Current lease liabilities	**14,153**
Non-current lease liabilities	**7,228**
	21,381

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

	31 December 2019 $'000	1 July 2019 $'000
Recognised right-of-use assets	**17,619**	21,359
	17,619	21,359
Lease liabilities	**17,788**	21,381
	17,788	21,381

The recognised right-of-use assets primarily relate to property but also include fleet cars and office equipment.

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

Right-of-use assets – increased by $21,359

Lease liabilities – increased by $21,381

The net impact on retained earnings on 1 July 2019 was not material.

(i) Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(b) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, equipment and cars. Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the beginning of the 2020 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate at the commencement date
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets primarily comprise of IT related equipment.

(i) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The extension and termination options held are exercisable only by the Group and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Our Financing

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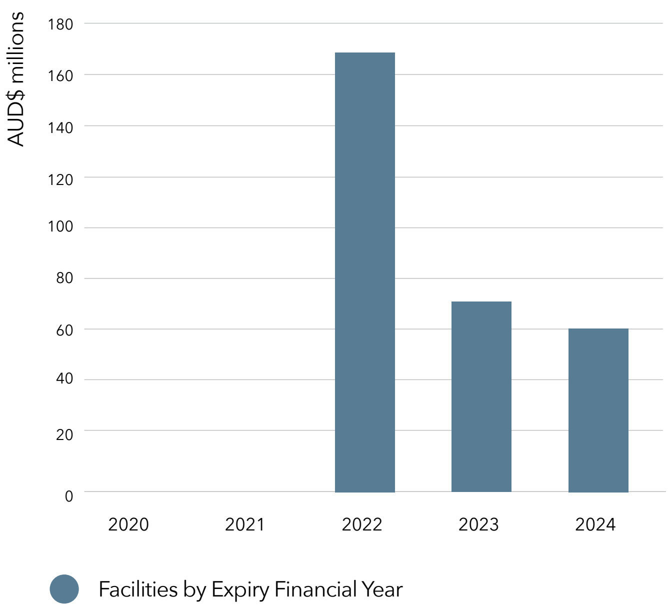
4.1 INTEREST-BEARING LIABILITIES

	31 December 2019 $'000	30 June 2019 $'000
Non-current		
Bank loan – unsecured at amortised cost	**153,000**	119,000

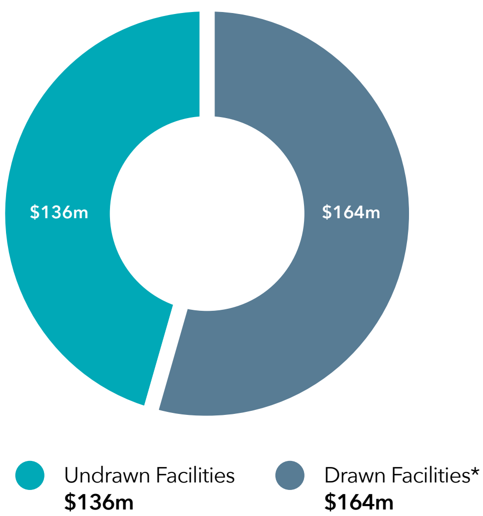
4.1.1 Reconciliation of interest-bearing liabilities

	31 December 2019 $'000	30 June 2019 $'000
Interest-bearing liabilities		
Balance at the start of the period/year	**119,000**	86,000
Amounts drawn	**34,000**	33,000
Balance at the end of the period/year	**153,000**	119,000

Blackmores Limited Debt Maturity Profile



Blackmores Limited Debt Facilities



*Drawn facilities includes bank guarantees. Refer to note 6.1.

Our Financing

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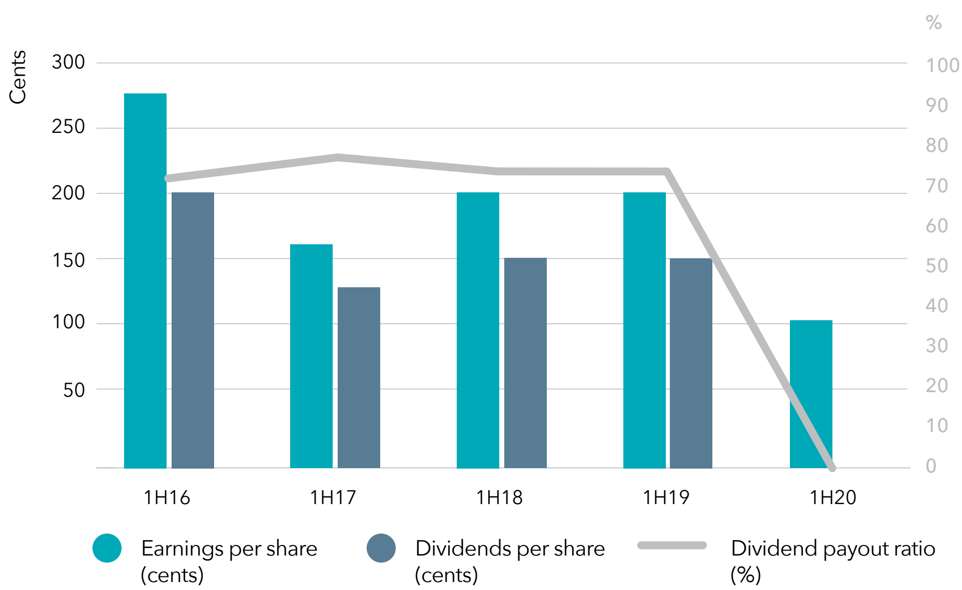
4.2 DIVIDENDS

	Half-year ended 31 December 2019		Half-year ended 31 December 2018	
	CENTS PER SHARE	TOTAL $'000	CENTS PER SHARE	TOTAL $'000
Recognised amounts				
Fully paid ordinary shares				
Final dividend declared in respect of prior financial year				
- fully franked at 30% corporate tax rate	**70**	**12,209**	155	26,587
- paid as cash		**9,917**		19,811
- taken as shares issued through DRP		**2,292**		6,776
		12,209		26,587
Unrecognised amounts				
Fully paid ordinary shares				
Interim dividend payable in respect of current financial year				
– fully franked at 30% corporate tax rate	-	-	150	58,945

The interim dividend in respect of ordinary shares for the year ended 30 June 2020 declared subsequent to 31 December 2019 is $Nil.

4.3 SHAREHOLDER RETURNS HISTORY



Our Financial Risk Management

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5.1 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the Condensed Consolidated Financial Statements approximate their fair values.

Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

Fair value measurements recognised in the Condensed Consolidated Statement of Financial Position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		31 December 2019 $'000	30 June 2019 $'000
Financial assets			
Unquoted equities	Level 3	**1,503**	1,503
Foreign exchange derivatives	Level 2	**132**	355
		1,635	1,858
Financial liabilities			
Foreign exchange derivatives	Level 2	**(204)**	(267)
Interest rate derivatives	Level 2	**(492)**	(472)
		(696)	(739)

5.2 RECEIVABLES

Receivables purchase agreement

The Group has entered into an uncommitted non-recourse receivables purchase agreement to sell certain domestic receivables, from time to time, to an unrelated entity in exchange for cash. Cash flows relating to the sale of receivables are included in operating cash flows in the Condensed Consolidated Statement of Cash Flows. The receivables are derecognised where the risks and rewards of the receivables have been transferred. As at 31 December 2019, receivables totalling $23.1m had been sold under this arrangement (2018:Nil).

Other

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6.1 CONTINGENT LIABILITIES

Blackmores has been in discussions with the relevant authority in one of the countries in which it trades pertaining to the historical use of and compliance to export classification codes and related exemptions claimed under free trade agreements between the periods of 2009 to 2014. These discussions have been ongoing for over 3 years. In the 2019 financial year the relevant authority issued assessments for approximately $11 million (AUD) (previously disclosed as $10 million which has subsequently been adjusted for foreign exchange movement). In the half-year ended 31 December 2019 corresponding bank guarantees totalling $11 million (AUD) have been issued by the Group. Blackmores has initiated an appeal process for those assessments. Blackmores considers that it has correctly interpreted and complied with all relevant requirements under the free trade agreement and is pursuing all legal avenues of objection. It remains unclear when a resolution to this matter will be reached. As at the date of this half-year financial report, based on legal advice recieved no legal liability exists in relation to the assessments under applicable law of that jurisdiction. A reliable estimate of potential risks or probable outflows, if any, cannot be determined. Accordingly, applying AASB 137 Provisions, Contingent Liabilities and Contingent Assets, no liability has been recorded in the accounts as at 31 December 2019.

6.2 EVENTS AFTER THE REPORTING PERIOD

Interim dividend

The Directors did not declare a dividend for the half-year ended 31 December 2019.

Land held for resale

On 31 January 2020, the land at 15 Jubilee Avenue, Warriewood NSW 2102, having a carrying value of $2.2m was approved by the Board for sale. The land was originally purchased as space for the future expansion of the Warriewood Campus. Blackmores future growth is now catered for through the Bungarribee Warehouse, Braeside and Surry Hills sites and as such the land held is considered surplus to Blackmores requirements. The Board expects that the sale will be completed prior to 30 June 2020.

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